



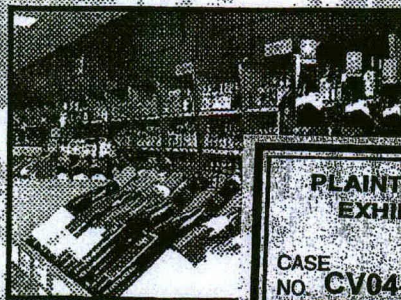
Washington State
Liquor Control Board
3000 Pacific Ave. SE Olympia WA, 98504



Balancing Responsibility with Profitability

FY 2004 Annual Report

The mission of the Washington State Liquor Control Board is to serve the public by preventing the misuse of alcohol and tobacco through controlled distribution, enforcement and education; and provide excellent customer service by operating efficient, convenient, and profitable retail stores.

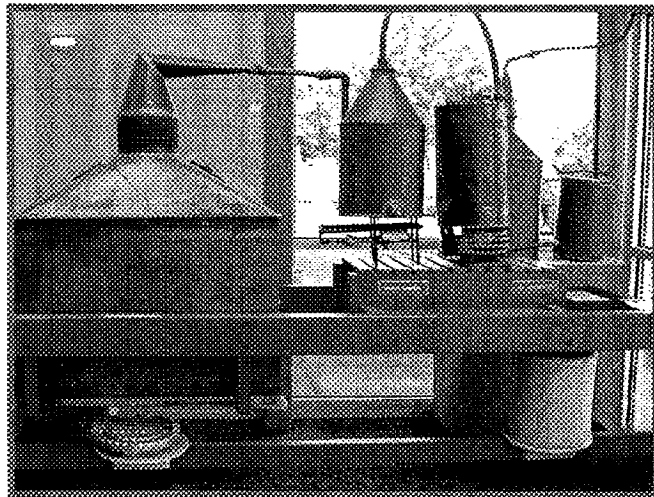


PLAINTIFF'S EXHIBIT	
CASE NO.	CV04-0360P
EXHIBIT NO.	018



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Washington State
Liquor Control Board

3000 Pacific Ave. SE Olympia WA, 98504 (360) 664-1600

Citizens of Washington:

This annual report provides detail about the Washington State Liquor Control Board's mission, operations and accomplishments during FY 2004. As this report illustrates, our state's control system has been particularly successful carrying out its dual mission of public safety and revenue generation in recent years.

Throughout its 71-year history, the Liquor Control Board has achieved a distinguished record of service to Washington citizens by closely regulating the manufacture, importation, distribution and sale of alcohol. The Board has returned more than \$4 billion to the state during this period.

Founded in 1933 by the Steele Act, which was passed by the Washington Legislature at the end of U.S. Prohibition, the Board also has served as a forum for the resolution of stakeholder interests and continues to recommend changes in law and rule to keep pace with new economic and social conditions.

This decade the Board members authorized a new organizational structure for the agency by reducing their time and pay to 60 percent, hiring an Administrative Director and focusing more on strategic planning and policy development. Improved retail planning and performance, expanded technology support and more efficient licensing and enforcement practices have resulted.

Our 1,350 full- and part-time agency employees have accepted the challenges posed by these and many other changes with enthusiasm and energy. We are proud of their accomplishments and welcome the opportunity to share our successes in this annual report. We also welcome your continuing comments and support as we exercise our important regulatory, enforcement and retail service responsibilities.

Sincerely,

Merritt D. Long, Chairman

Roger Hoen, Board Member

Vera Ing, Board Member

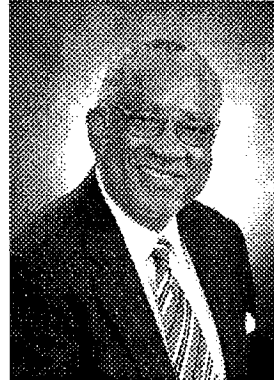
Pat Kohler, Administrative Director

LCB Board Members

The Board is composed of three members appointed by the Governor to six-year terms. Board members are responsible for hiring the agency's Administrative Director, who manages day-to-day operations. They also hold regular public meetings and work sessions with stakeholders and other interest groups and provide oversight for major policy and budget decisions.

Merritt D. Long – Board Chairman

Prior to being named Chairman in 2002, Merritt served as the director of three state agencies during a 34-year career in state government: as CEO of the Washington State Lottery, director of the Washington State Human Rights Commission, and director of the State Board for Vocational Education. He was appointed to the Board by Gov. Gary Locke.



Vera Ing – Board Member

Appointed to the Board in 1999, Vera Ing, a former principal in the firm of Mulvanny/Ing Architects, has worked in the public and private sectors as a planner and small business owner. She has served on the boards of the Seattle Center, the International District Improvement Association, the Asian American Management Association and the University of Washington Women's Resource Center. She also has participated in trade missions to Japan, Taiwan, Korea, China and the Philippines.



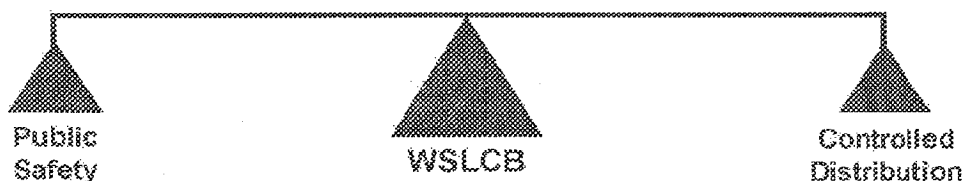
Roger Hoen – Board Member

Mr. Hoen has extensive experience in the food and beverage industry, having served in executive management positions at many of the state's largest sports and entertainment facilities: the Kingdome, Tacoma Dome, Gorge Amphitheater, and the Woodland Park Zoo. Active in Seattle civic affairs, he has spearheaded efforts to assist local food banks, non-profit organizations and educational institutions. He was appointed to the Board in 2002.



Control States

LCB's Balanced Mission



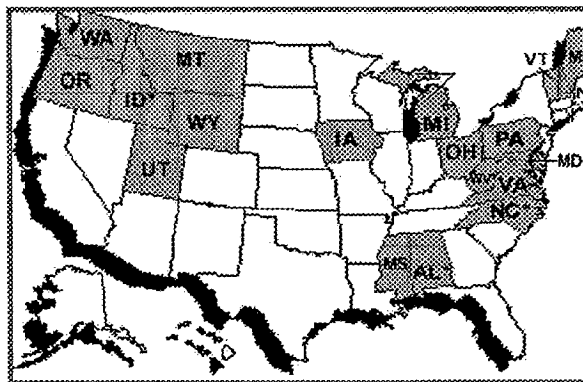
The Mission of the Washington State Liquor Control Board is to serve the public by preventing the misuse of alcohol and tobacco through controlled distribution, enforcement, and education; and provide excellent customer service by operating efficient, convenient, and profitable retail stores.

Following the repeal of U.S. Prohibition in 1933, the Washington State Legislature passed the Steele Act, which created the Washington State Liquor Control Board. Prohibition was repealed by the 21st Amendment to the U.S. Constitution, which gave states the right to regulate alcohol as they saw fit. Many states adopted 'control systems,' which established agencies or boards to control all or part of the importation, distribution, wholesale supply, and retail sale of liquor. The operating parameters of these control systems were defined by statute in great detail. States that did not adopt control systems enacted laws regulating these activities.

There are 19 U.S. control states and jurisdictions. Maryland operates a control jurisdiction in Montgomery County only. About half of the 19 states control both wholesale and retail sales and distribution. The others control only wholesale distribution. No control system is exactly like another, but all are similar.

Washington exercises a monopoly over liquor, but not wine and beer. Instead, it regulates wine and beer through a 'three-tier' system. Manufacturers are prohibited from selling directly to retailers. They must sell through middlemen, or distributors. There are mandatory

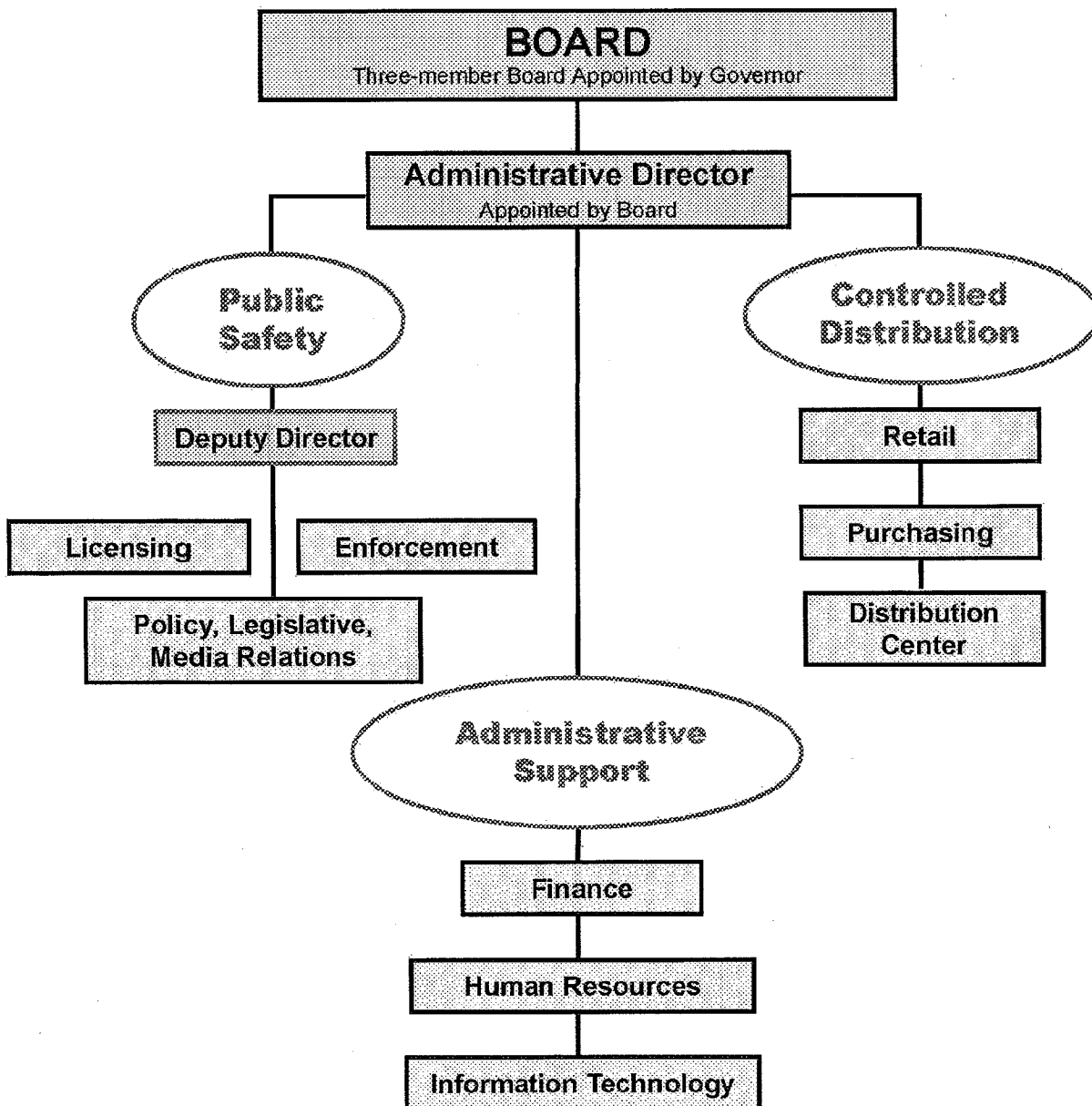
Map of
Control States



Alabama, Idaho, Iowa, Maine, Michigan, Mississippi, Montana, New Hampshire, North Carolina, Ohio, Oregon, Pennsylvania, Utah, Vermont, Virginia, Washington, West Virginia, Wyoming, Montgomery County, Maryland.

10 percent price markups for the first two tiers. Since its founding in 1933, the Washington State Liquor Control Board has returned more than \$4 billion to the state in revenue from the taxation, regulation and licensing of alcoholic beverages. In the next decade, the Board is expected to return more than \$3 billion to the state. In FY 2004, the agency returned \$249 million to the state.

Washington State Liquor Control Board Organizational Structure



Agency Overview

Enforcement and Education

The Enforcement and Education Division has four regional offices and seven satellite offices. Liquor enforcement officers and support staff work closely with liquor licensees to ensure compliance with state laws regulating the sale and consumption of alcohol and tobacco.

Tobacco Tax Enforcement

The Tobacco Tax Enforcement Program investigates tax evasion related to Other Tobacco Products (OTP). About \$4.5 million in unpaid OTP taxes were identified in FY 2004. Working with the Department of Revenue, this unit also collects unpaid taxes and investigates the smuggling and distribution of contraband cigarettes, counterfeit tax stamps and the untaxed sale of cigarettes manufactured outside the United States. Several grand jury indictments resulted from investigations conducted in FY 2004.

Officer Training and Education

Liquor Enforcement Officers must attend 32 hours of in-service training each year specific to their job responsibilities. New officers receive state-certified Basic Law Enforcement Academy (BLEA) training. Officers joining the Division with prior law enforcement experience may receive additional state training during their first year.

FY 04 Enforcement Staffing Table

Liquor & Tobacco Enforcement Officers	67
Senior Supervisors	11
Regional Managers	4
Tobacco Tax Program Manager	1
Executive Officer	1
Program Manager	1
Support Staff	14
Intermittent Investigators & Investigative Aides	3
Deputy Director	1
Total	103

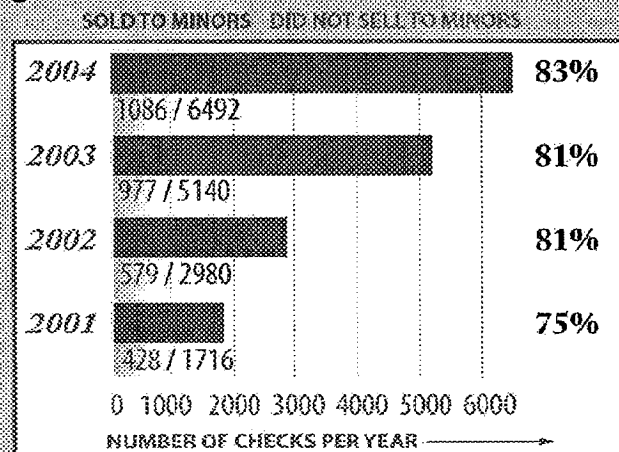
Community Oriented Enforcement

The Enforcement and Education Division works closely with local communities to develop strategies to improve liquor and tobacco law compliance. Partnerships such as these help communities identify problem areas, devise strategies to improve compliance and prevent future incidents. The Enforcement Division provides strategic support, training and investigative assistance for these programs.

Statewide Compliance Rate Improving As More Checks Are Conducted

Compliance checks are conducted at licensed establishments to prevent the sale of tobacco and liquor to minors. Compliance rates have increased this decade. Efforts are underway to improve this program's effectiveness. The division hopes to raise compliance rates to 90 percent or more.

To reach this goal liquor and tobacco enforcement officers are conducting more frequent visits to licensed businesses, targeting repeat offenders, and improving educational materials and programs.



Agency Overview

Licensing and Regulation

The Licensing and Regulation Division issues liquor licenses and permits to qualified retail and non-retail businesses to sell alcohol responsibly and to regulate the production and distribution of beer and wine products in accordance with liquor laws and regulations.

To achieve these goals the Licensing Division:

- Determines if new and current businesses are qualified to hold a liquor license
- Regulates the production and distribution of beer and wine products
- Ensures the Mandatory Alcohol Server Training program provides proper training to bartenders and others who serve alcohol.

	FY	1999	2000	2001	2002	2003	2004
Licensees (total)		12,141	12,257	12,515	12,619	13,184	13,530

Retail Licensees	11,195	11,244	11,337	11,453	11,791	12,121
Grocery Stores	4,459	4,539	4,576	4,577	4,651	4,699
Spirits/Beer/Wine Restaurants, Clubs, Sports/Entertainment	3,373	3,493	3,525	3,832	3,980	4,104
Beer & Wine Restaurants	2,255	2,248	2,408	2,230	2,377	2,506
Taverns	985	903	787	618	559	580
Bed & Breakfast, Serve Employees & Guests, Non-Profit Arts Organization, and Motel licenses	61	61	41	196	244	232

Non-Retail Licensees	946	1,013	1,178	1,166	1,393	1,409
Wineries	127	248	248	214	259	360
Breweries	94	91	91	82	85	86
Distributors and Importers	129	153	153	140	241	253
Certificate of Approval - Out of State Breweries and Wineries	553	624	624	685	729	766
Bonded Wine Warehouses, Distillery Licenses, Liquor Manufacturers, Wine Growers, CCI and Ship Handlers	43	62	62	45	79	61

Applications Processed	3,304	2,932	2,772	3,251	3,456	3,911
Applications Processed (Retail)	3,240	2,825	2,669	3,123	3,267	3,810
Applications Processed (Non-Retail)	64	107	103	128	189	101

Agency Overview

Retail Services

- Long-range business planning
- Store profitability strategies
- Inventory management
- Accounting systems
- New store development
- Store relocation/renovation
- In-store merchandising strategies



Customer Service Emphasis

- Better trained employees
- Improved product information
- Improved point-of-sale systems
- Improved store layouts
- Improved signage
- Safer stores



Distribution Center

- Ships and receives all product
- Handles 4.62 million cases per year
- Automated Warehouse Management System
- Workplace safety emphasis
- Average 17,000 cases per day shipped
- Peak shipping capacity: 28,000 cases
- Major expansion planned (2005-07)



Purchasing

- Product inventory/re-supply
- Special order fulfillment
- Product listing/de-listing analysis
- Wine merchandising strategy
- Pricing analysis
- Store shelf-set strategies



Agency Overview

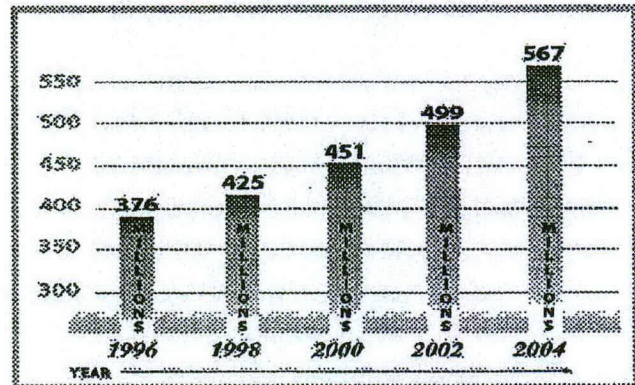
Retail Services

Gross Sales Increasing

Gross sales in state and contract liquor stores increased 51 percent between 1996 and 2004 and liter sales (number of bottles sold) increased 26.3 percent. Gross sales account for more than 90 percent of all income produced by the Liquor Control Board annually.

Gross sales are expected to increase at a rate of more than 4 percent annually for the next decade. These sales increases will produce more than \$3 billion in revenue for the state by 2015.

51% increase 1996-2004



Why Sales Are Increasing

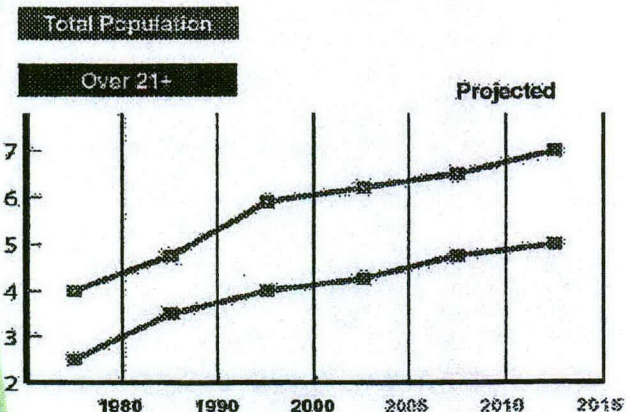
- Steady increase in population*
- Increase in drinking-age population*
- More licensed establishments*
- Greater product diversification*
- Buying up to premium brands*
- New stores/store locations*



State Population Growth Driving Sales Increases

The state's population, which grew rapidly during the 1980s and 1990s, is expected to continue to climb through 2015. The state's population increased from about 4 million to nearly 6 million between 1975 and 1995. In 2004, the state's population was about 6.1 million. Per-capita consumption of alcohol has remained relatively constant during the last 25 years.

Per-capita consumption began to drop in the 1980s when tougher DUI laws were enacted. Increased health consciousness and changing social attitudes have worked to keep consumption levels constant.

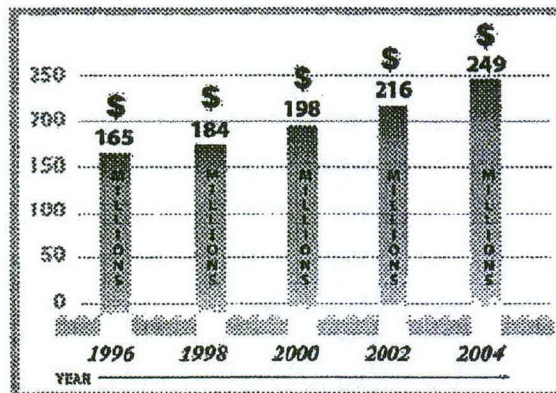


Agency Overview

Retail Services

Revenue Increasing

Revenue returned to the state by the Liquor Control Board has increased substantially in recent years. Between 1996 and 2004, revenue returned to the state grew by more than 67 percent. Revenue returned to the state comes from state taxes on liquor, beer and wine; state-imposed surcharges; licensing fees; and other sources such as lottery sales, tobacco seizures, and penalties. Between 1934 and 2004, the Board returned over \$4 billion to the state.



Projected revenue 2005-2014

The LCB will return \$3 billion to the state in the next decade if a predicted 4 percent growth in gross sales occurs.

More than 25 percent of the revenue returned goes to support education and prevention programs.

About 17 percent of revenue is returned directly to local and county governments.

Revenue projection 2005-2014*

2005	\$260 million
2006	270
2007	281
2008	293
2009	305
2010	317
2011	330
2012	343
2013	357
2014	371

Total : \$3.127 billion in 10 years

*based on 4 % increase

Retail Services At a Glance

- 161 state stores in most populous areas
- 154 contract stores in less-populated areas
- Four new stores to open 2004-2005
- 800 full- and part-time employees (managers, assistant managers, clerks)
- More than 1,900 products sold
- Special orders total \$4 million annually
- Average store size: 5,000 square feet
- Average number of store employees: 4
- Average store annual gross sales: \$3 million

2004 FINANCIAL STATEMENT

Income

Gross Liquor Sales	\$609.1 million
Beer Taxes	\$ 30.9 million
Wine Taxes	\$ 17.3 million
License Fees	\$ 10 million
Other**	\$ 6 million
Total Income	\$667.9 million

*** includes lottery sales, tobacco seizures, carrier markup, penalties and other income.*

Expenses/Distributions

Cost of Product	\$285.7 million
Product Discounts	\$ 42.5 million
Taxes/Distributions	\$249.0 million
Retail/Purchasing/DC	\$ 48.2 million
Licensing/Enforcement	\$ 11.4 million
General	\$ 17.4 million
Operating Reserve	\$ 13.7 million
Total Operating	\$ 90.7 million**
Total Expenses/Distributions	\$667.9 million

* Includes beer and wine producer taxes (see chart on following page)

** Operating costs equal 13.6% of total income

2004 Marks of Excellence

Licensing & Regulation

- On- and off-premise licensing services
- Manufacture, Importation and Wholesale (MIW) licensing services
- Licensing education
- Services for non-English speakers
- Mandatory Alcohol Server Training (MAST)
- Oversight of state's wineries and breweries

Major accomplishments in FY 2004

Processed a record 3,911 liquor license applications. Of these, 1,946 were new applications, assumptions or changes of status.

Put in place a series of process improvements to speed the licensing approval process.

Developed and implemented a comprehensive employee recognition program.

Enforcement and Education

- Front-line presence for public safety
- Compliance checks for on, and off premise licensees
- Licensee consultation / training
- Community oriented enforcement strategies
- Regional offices: Seattle, Everett, Bellingham, Bremerton, Yakama, Tacoma, Olympia, Vancouver, and Kenewick
- Tobacco Tax investigations / enforcement
- Assists in mediating penalties

Conducted 6,492 compliance checks. There were 1,086 sales for a statewide compliance rate of 83.3%.

Achieved an 89 percent compliance rate for tobacco retailers.

Hired 10 new enforcement officers. Improved diversity recruitment.

Developed an enforcement program for tobacco products other than cigarettes, saving the state \$6.2 million.

Developed a new videotape training resource for responsible tobacco sales and distributed it to 8,400 retailers.

2004 Marks of Excellence

Retail Services

- Long-range business planning
- Store profitability strategies
- Inventory management
- Accounting systems
- New store development
- Store relocation/renovation
- In-store merchandising strategies

Major accomplishments in FY 2004

Reorganized state store product displays, making it easier for customers to locate the products they are seeking.

Opened two new stores, one in Shoreline and one in Bothell, the first new state stores in more than 20 years.

Created a new store operation performance matrix to measure monthly sales, inventory and other performance indicators more accurately.

Distribution Center

- Ships and receives all product
- Handles 4.62 million cases per year
- Automated Management System
- Workplace safety emphasis
- Average 17,000 cases per day shipped
- Peak shipping capacity: 28,000 cases

Achieved a 98% 'fill rate' for holiday orders.

Operated consistently at or beyond peak capacity through the year.

Cited as a model operation for other state agencies.

Purchasing Services

- Product inventory/re-supply
- Special order fulfillment
- Product listing/de-listing analysis
- Wine merchandising strategy
- Pricing analysis
- Store shelf-set strategies

Organized and managed a major shelf display realignment in all state stores with the assistance of Retail Services and the Distillers Representatives Association of Washington (DRAW).

Developed a comprehensive wine strategy to guide the procurement and sale of wine in state stores.

2004 Marks of Excellence

Financial Services

- Budgeting / Accounting / Auditing
- Revenue-forecasting
- Facilities maintenance
- Vehicle leasing
- Travel
- Contract services
- Risk management

Major accomplishments in FY 2004

Led major accounting process improvement which resulted in a clean General Administration annual audit (no findings).

Led effort to consolidate agency freight contracts.

Information Technology Services

- Central computing system maintenance
- Business technology planning/support
- Software design/implementation
- Technology training
- Customer assistance
- Internet / intranet technology support
- Email / telephone maintenance

Installed new scanners, card readers and cash registers in all state stores.

Helped lead the development of a new employee intranet service.

Started second and third phases of a system upgrade to evaluate store performance, create financial reports, and manage inventory.

Human Resources

- Recruitment assistance
- Job classification / pay
- Labor relations
- Employee training
- Workplace safety

Led Civil Service Reform for an agency with more than 1,350 employees.

Worked to implement a new online personnel management system (HRMS).

Assisted the divisions with recruitments, separations, disciplinary actions and other routine personnel activity.

Policy, Legislative, Media Relations

- New and revised laws / rules
- Agency policy development
- Agency communications
- Public records requests
- Education / awareness programs

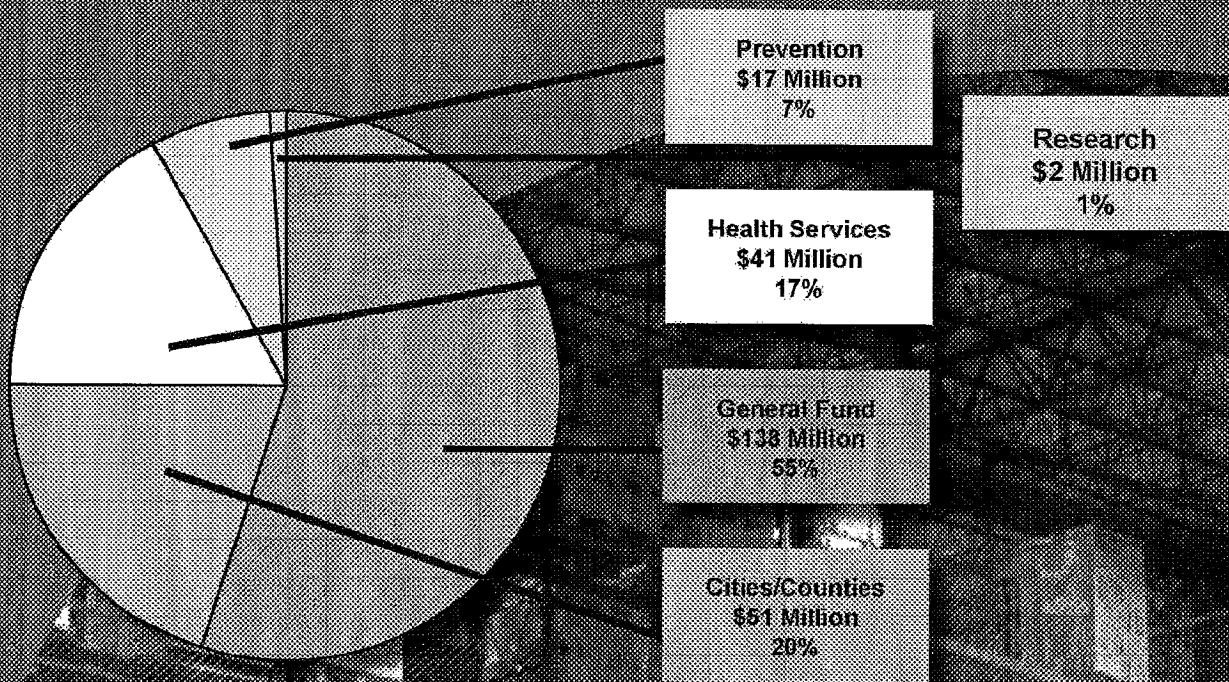
Developed an employee intranet page in collaboration with Information Technology Services.

Developed new agency policies; substantially revised existing policies.

Continued comprehensive updating of agency rules.

Worked one-on-one with legislators to secure approval for budget requests.

Revenue Distribution Chart FY 2004

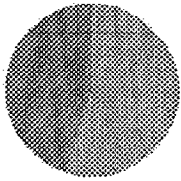


**\$249 million
returned in
FY 2004**

The Washington State Liquor Control Board returned \$4 billion to the state between 1933 and 2003. The LCB is expected to return \$3 billion to the state in the next decade.

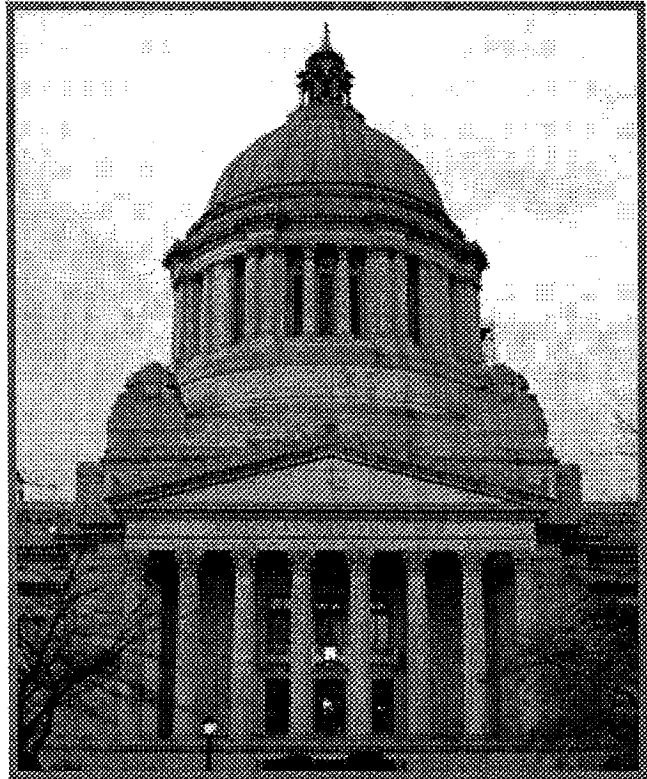
Revenue Distribution

General Fund

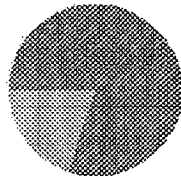


55%
\$138 million

Money sent to the General Fund provides the state vital additional resources in a time of continuing budget constraints. In the next decade, money sent to the General Fund will total more than \$1.5 billion according to revenue projections based on current performance. The General Fund supports a wide range of state services, including public education.



Cities, Counties, Border Areas



20%
\$51 million

Money sent to cities, counties and border areas provides increased flexibility for local government to meet community needs. Revenues are redistributed by statute to communities according to their population.



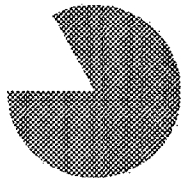
LCB Revenue:

- Augments local general funds
- Supports treatment/prevention
- Supports law enforcement
- Supports community education

Thurston County Sheriff's deputies Sue Bergt and Jay Swanson use equipment provided by funds sent to cities, counties and border areas from beer and wine taxes and liquor profits.

Revenue Distribution

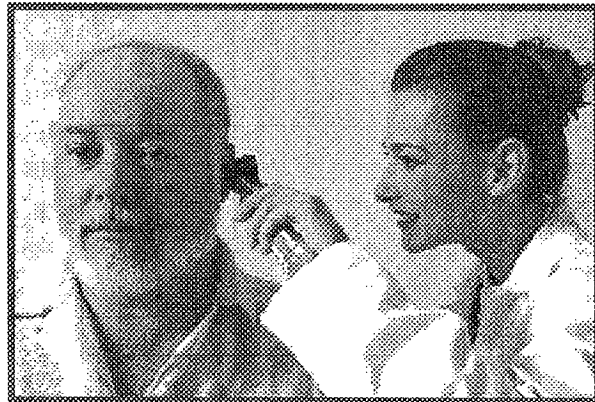
Health Services



17%
\$41 million

Funds 20 percent of the Basic Health Program for low-income residents.

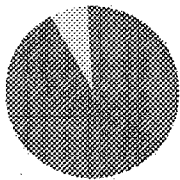
Provides 7.5 percent of state's annual Health Services budget.



Basic Health Program

The State's Basic Health Program serves more than 110,000 people annually. About 20 percent of these individuals receive health care paid for by LCB resources. The program provides affordable health care coverage to low-income residents through private health plans. Included are plans providing health benefits for children and for pregnant women who qualify under Medicaid criteria.

Education / Prevention



7%
\$17 million

\$11 million for Violence Reduction Drug Enforcement program (VRDE).

\$6 million for DSHS alcohol and substance abuse programs.



Violence Reduction/Drug Enforcement:

- Grants to local governments for:
- Indigent Legal Representation
- Juvenile Client Activity Tracking System
- Drug Offender Treatment Services
- Narcotics Task Forces

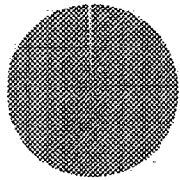
Meth Watch Program

Retailers in Washington State risk losing their liquor license if they sell more than three packages of any product containing ephedrine or pseudo ephedrine to a single customer in one transaction.

Stores that participate in Meth Watch display this symbol to let customers know they are working to prevent the proliferation of meth labs.

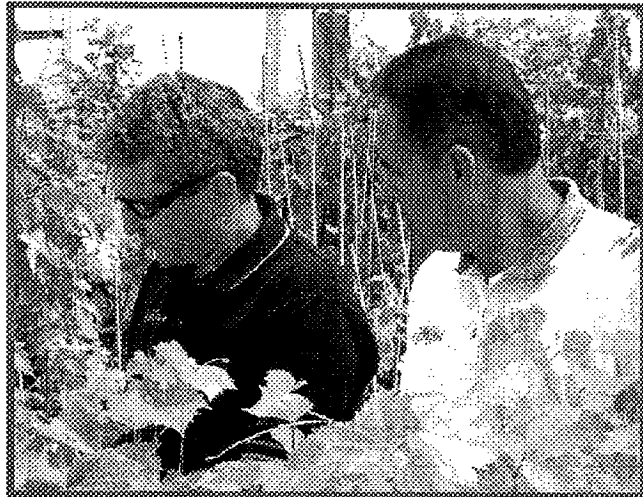
Revenue Distribution

Research



1%
\$2 million

- WSU Wine and grape research
- Washington Wine Commission
- UW / WSU alcohol & drug research
- Youth tobacco prevention
- Toxicology Services



Washington Wine Commission - \$626,000

The Washington Wine Commission is responsible for the promotion and development of the Washington wine industry, representing the state's nearly 300 wineries and 30,000 vineyard acres.

The Commission sponsors the following events: Taste Washington, Auction Washington, Restaurant Awards and the Washington State Wine Expo.

Research Distributions In Detail - \$2 Million

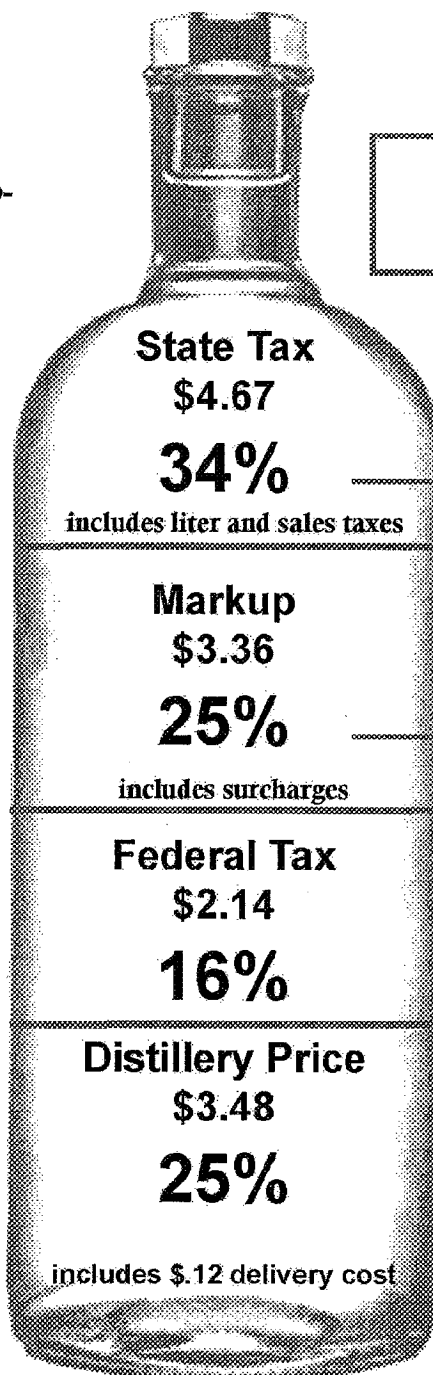
Washington Wine Commission	\$626,000
UW Alcohol and Drug Abuse Institute	\$408,000
WSU Alcohol and Drug Abuse Research	\$272,000
WSU Wine and Grape Research/Instruction	\$186,000
Alcohol Awareness Program	\$164,000
WSP State Toxicology Program	\$150,000
Youth Tobacco Prevention	\$157,000

Revenue Distribution

WHERE YOUR LIQUOR DOLLARS GO ...

More than 42% of the price of each bottle supports programs and services for Washington citizens.

Taxes, markup and fees collected provide more than \$250 million annually for state programs and services.



Price at Register
\$13.65

Goes To:

State General Fund	75%
Health Services	14%
Cities/Counties	10%
Education/Prevention	01%

Goes To:

LCB Operations	70%
State General Fund	15%
Cities/Counties	15%



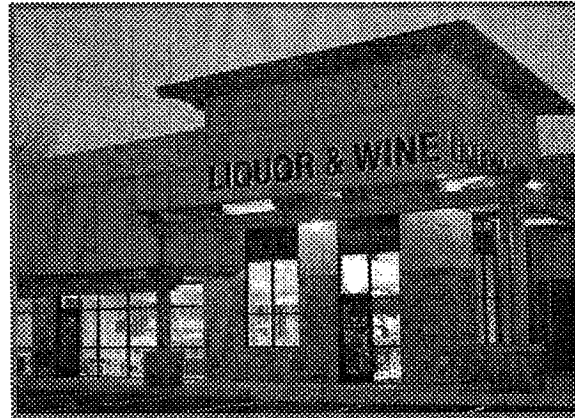
Washington State
Liquor Control Board
3000 Pacific Ave. SE Olympia WA, 98504

Moving Ahead 2005-2007

Store Development

"As our population continues to mature, customer accessibility and convenience will become more important factors. Careful selection of new outlet locations and models will be important to maximize revenue generation."

-- WSLCB Retail Business Plan



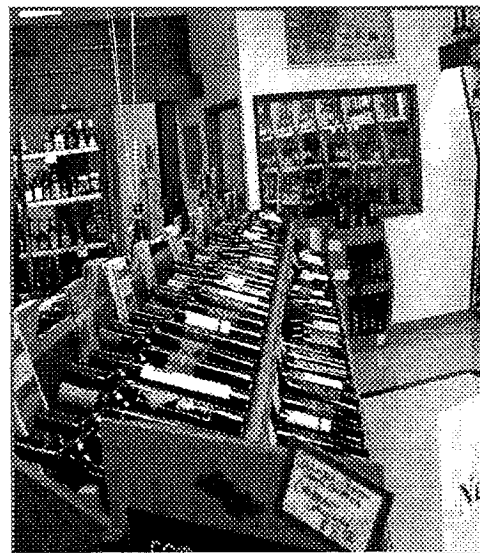
The Case For New Stores

The Washington State Liquor Control Board will continue to study and recommend new store openings to serve the state's growing population. New stores represent an important new source of new revenue for the state. The LCB is developing new store models based on past store performance and expected growth in demand.



Typical Retail Store

- 5,000 square feet
- Generates \$3 million in annual sales
- Generates \$1.26 million for state programs
- One-time startup costs of \$150,000
- Concept Store: 10,000 square feet
- Generates \$6.8 million in sales
- Returns \$2.6 million in taxes/profits
- One-time startup costs of \$300,000



Moving Ahead 2005-2007

Additional Store Hours

One way to measure the productivity of state stores is to divide the total number of bottles sold in all state stores in a year by the total number of store employees (FTE). This indicates how many bottles each employee, on average, sells in a year.

The LCB's employee/bottle sales average is 53,000. An optimal average would be 49,000 bottles sold per FTE. Employee/bottle sales averages in other control states are far lower. In Virginia, for example, the average is 26,000. In Pennsylvania, it is 25,000. Each of these states has high levels of store productivity as measured by total sales, customer satisfaction, inventory turns and other efficiency measures.

During the 2005-2007 biennium, the LCB will study the effect of increasing store hours on store productivity. The Governor's budget recommended an increase in hours equal to 28 FTEs for this program. Store productivity will be measured to judge the effectiveness of the increase. It is expected that with increased FTE hours, LCB stores will achieve higher levels of productivity and therefore revenue.

Advantages of Additional Hours

- Employees available to answer customer questions
- Employees with advanced product knowledge
- More timely stock replenishment
- More effective product displays
- Reduced customer wait times at cash registers



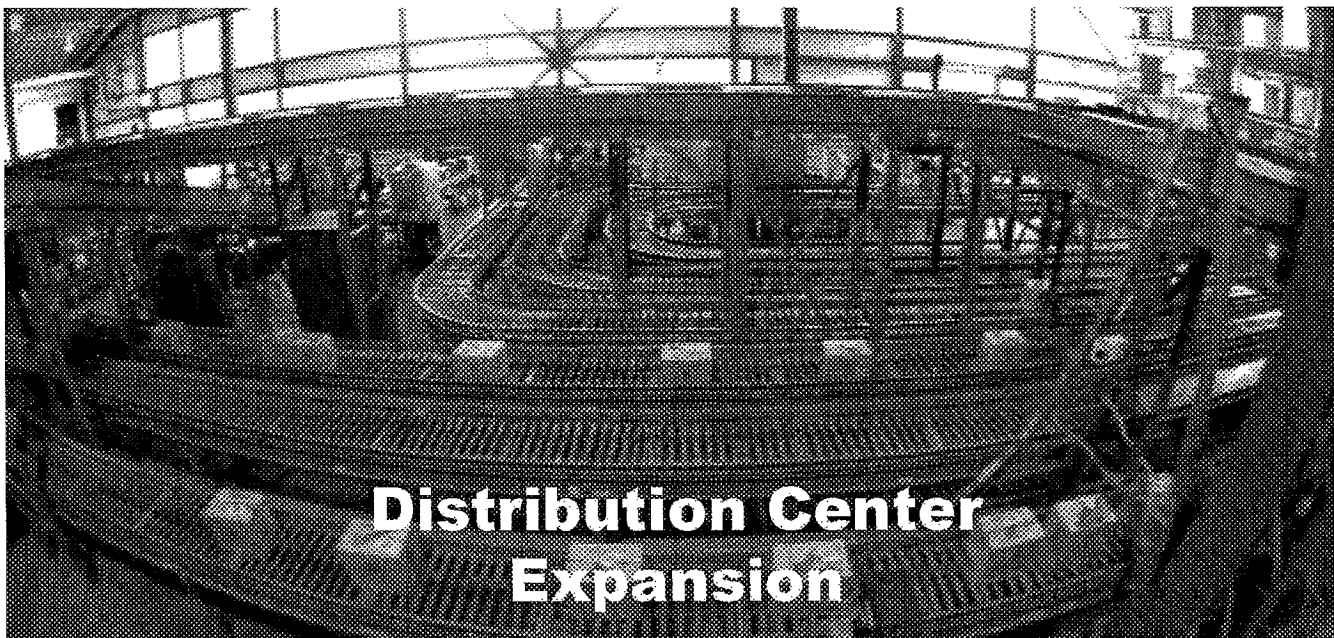
MBS Major Technology Upgrade

Considerable progress was made during FY 2004 in implementing the first phase of the Merchandising Business System (MBS). A new business operating system, including new cash registers, screens, card readers and scanners was to be installed in all 161 state stores by October 2004.

Phase II, which began in the spring of 2004, provided a new operating system for the new hardware. The MBS system is a major business improvement for the Liquor Control Board. It will speed credit card processing times, enable real-time accounting information flow and provide improved inventory management processes. A team composed of agency information technology staff, store personnel and finance staff worked to develop and deploy the system.

In the fall of 2003, the agency canceled a contract for the system with an outside vendor due to performance issues and decided to deploy the system using its own personnel.

Moving Ahead 2005-2007



Why Expansion Is Necessary

- The DC reached its design capacity of 17,000 cases per-shift in 2004.
- Peak loads exceeded 22,000 cases per day.
- The expansion outlined below enables the DC to handle future growth.
- Without expansion, the DC will not be able to fully supply stores.
- Without expansion, new store development will have to be deferred.

Proposed Improvement Details

- Adds 62,000 square feet. New size: 211,000 square feet.
- Increases daily shipping capacity to 32,000 cases.
- Meets long-term growth forecast to 2018.
- Increases storage capacity 40 %.

COST

\$17.5 million (Capital Budget)
Financed by continuing existing
\$0.20 per-liter surcharge on spirits.

TIMELINE

A/E Consultant work completed
July – September 2005

RFP issued/contractor selected
September – December 2005

Construction

January 2006 – December 2007



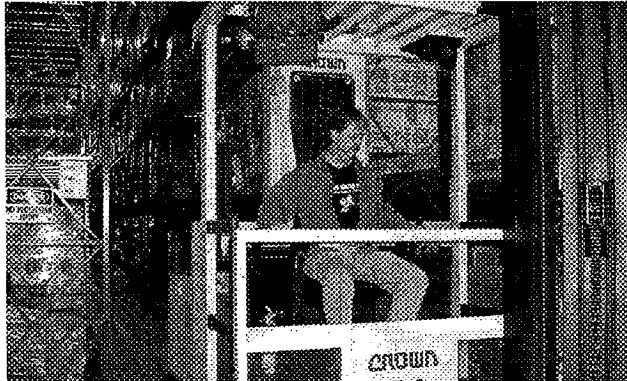
Moving Ahead 2005-2007

2005 Distribution Center Upgrade

Supplemental funding in 2005 was proposed to help the Distribution Center increase its shipping capacity in preparation for the 2005 holiday season. An appropriation of \$3.2 million will provide 11.6 FTEs and improvements to deck lanes, software and material handling system components.

Proposed Improvements

- New Pick Module
- 11.6 additional FTEs
- Pick Module Conveyor
- 4 Additional Deck Lanes
- New Turret Truck
- System Software Upgrade
- Parts, Software Fees



Distribution Center History

The Washington State Liquor Control Board's original Seattle Distribution Center was built in 1947 on East Marginal Way, in the Seattle industrial bottoms. By the early 1990s, that center was in need of \$6 million in repairs, and the Board decided to study the feasibility of building a new center.

In 1996, the Board received Legislative approval to build a new, highly automated facility at its existing Marginal Way site. The new center was financed through a Certificate of Participation package (COP bonds) whose costs were paid for by a surcharge on liquor. The facility was built to accommodate one percent per-year growth in sales.

By the time the facility was completed in 2002, annual sales growth had greatly exceeded original estimates. Sales boomed unexpectedly in the mid-1990s as the state experienced significant population growth and the number of drinking-age adults began to increase. This trend has continued in the current decade.

Within two years of opening, the new Distribution Center was operating at capacity during peak periods. Sales growth has continued to average more than four percent annually. By this year, what were to be peak capacity shipping loads have become every-day events, making expansion a necessity.